

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING
2016.07.21**

ITEM A-F (58-2016)

EDC QUARTERLY SDBIP REPORT: QUARTER 4 OF THE 2015/2016 FINANCIAL YEAR

PURPOSE

To report to the Council on the Financial and Performance Results for the 4th quarter of the 2015/2016 financial year as required by Section 52(d) of the Municipal Finance Management Act and more detailed in the Budget and Reporting Regulations.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Financial Reporting

EXECUTIVE SUMMARY

Section 52 (d) and 71 of the MFMA and in terms of Section 28 of the Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" necessitates that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

"The mayor of a municipality-

52(d) must, within 30 days of the end of each quarter, submit a report to Council on the implementation of the budget and the financial state of the municipality;"

In compliance with section 52(d) relating to the quarterly reporting period ended 30 June 2016, the 30 days limit expires on **31 July 2016**.

Further, Section 31(1) of the Government Gazette No 32141 of 17 April 2009 prescribes the following:

"31.(1) The mayor's quarterly report on the implementation of the budget and financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- (a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and*

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- (b) *consistent with the monthly budget statement for September, December, March and June as applicable; and*
 - (c) *submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council."*

BACKGROUND

The **Net Operating Income** for the 4th quarter ended 30 June 2016 is 1% (**R659 000**) **less** than the budget. The budgeted revenue for the quarter ending 30 June 2016 is **R49, 256 million**, whilst the actual revenue yielded is **R48 598 million**. The shortfall of R659 000 is due to income from certain housing units that was budgeted, but not being billed during the quarter as the units were vacant. The vacancy of units is as a result of termination of lease and evictions. The refurbishment of Block E took longer than anticipated, as a result the budgeted amount for 18 units was not billed during the quarter.

The **Net operating expenditure** budgeted for the quarter ended 30 June 2016 amounted to **R31 470 million** whilst the actual expenditure is **R35 819 million which is 14% (R4 349 million) more** than budgeted. This is mainly due to a settlement of **R2 million** liability paid in June 2016 in respect of legal action instituted by Ramanna and Associates CC claiming for compensation for work done as part of the SHRA regularisation plan. This was not budgeted in the current year by EDC. Project and feasibility assessment for the acquisition and development of investment property contributed to a higher spending by R750 000 and a further R514 000 in professional fees relating to Block E refurbishment. Bad debt provision also exceeded the budget by 172% in the 4th quarter due to change in accounting policy. Debtors older than 120 days are now provided for in full (100%).

Capital Expenditure

Actual capital expenditure for the quarter is **R178 000**, while the budgeted amount is **R2, 5 million** for the quarter. The expenditure is mainly related to the improvements in Block E (Pharoe Park). An amount of **R10 532 million** was paid for transfer duties in respect of consolidation of companies. This has been capitalised in the books of Germiston Phase II as it relates to the acquisition of Pharoe Park and EDC. Further capital expenditure on computer and office equipment, and furniture to the value of **R454 000** was incurred due to an increase in staff complement and improvement of the IT infrastructure.

An amount of **R10 million** was ring-fenced for any shortfall that may occur in the current capital projects (Delville and Germiston Fire Station), However expenditure in the refurbishment of Block E necessitated the use of part of the ring-fenced amount, which is currently to the value of R759 000.

DISCUSSION

Financial Performance

Operating Revenue

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The revenue performance for the 3rd Quarter is reflected in the table below. The following information is provided:

- Total Budget for the year.
- Budget for the fourth quarter ended 30 June 2016.
- Actual revenue for second quarter ended 30 June 2016.
- Percentage variance between budgeted revenue and actual revenue.
- Budget for the year to date ended 30 June 2016.
- Actual revenue for the year to date ended 30 June 2016.
- Percentage variance between budgeted revenue and actual revenue.

Line item	Original budget (year)	Adjustment Budget	Final budget (year)	Budget 4th Quarter	Actual 4th Quarter	Variance 4th Quarter	% Variance 4th Quarter	YTD Budget	YTD Actual	% Variance YTD
<i>Rands in R '000</i>										
Rental of facilities	30 115	-	30 115	7 529	6 742	787	10%	30 115	27 254	9%
Service Charges	4 717	-	4 717	1 179	1 060	119	10%	4 717	4 285	9%
Interest earned-ext	1 461	-	1 461	365	362	3	1%	1 461	1 562	-7%
Transfers recognised-Operational grant	6 500	-3 000	3 500	875	875	-	0%	3 500	3 500	0%
Transfers recognised-Consolidation of companies	-	15 239	15 239	15 239	15 239	-	0%	15 239	15 239	0%
Transfers capitalised -Share Capital	-	8 000	8 000	8 000	8 000	-	0%	8 000	8 000	0%
Transfers capitalised -Consolidation of companies	-	10 532	10 532	10 532	10 532	-	0%	10 532	10 532	0%
Management fees	20 839	-	20 839	5 210	5 210	-	0%	20 839	20 839	0%
Other sundry income	1 311	-	1 311	328	579	-251	-77%	1 311	2 070	-58%
Total Operating Income	64 943	30 771	95 714	49 256	48 598	659	1%	95 714	93 281	3%

Analysis of Performance

The **Total Net Operating Income** for the 4th quarter ended 30 June 2016 is **3% (R659 000) less** than what has been budgeted. The refurbishment of Block E took longer than anticipated as a result the budgeted amount for 18 units was not billed during the quarter. Certain units remain vacant more than anticipated due to prospective tenants not being able to afford three bedroom units. Repairs of damaged units vacated during the quarter also take longer in certain cases and are only filled in the month following the termination date. As a result, rental and recoveries for service charges became less than the budget by **10%** in the 4th quarter.

Interest earned from investments and positive bank accounts for the quarter ended 30 June 2016 amounted to **R362 000**. Internally generated interest earned from tenants on overdue rentals amounted to **R84 000** for the quarter, which is included in other sundry income.

EDC's only revenue stream is from Pharoe Park and Germiston Phase II. EDC charges agency fee for services rendered on behalf of Pharoe Park and Germiston Phase II. Management fees amounted to **R5 210 million** for the quarter.

Other sundry income for the 4th quarter, ended 30 June 2016 is **77%** more than the budgeted revenue, mainly due to legal cost recoveries recognised as income during the year. Legal costs are recovered from defaulting tenants, however certain tenants vacates the units through termination of lease and evictions before the costs could be fully recovered.

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A positive future outlook remains, as EDC in partnership with the City of Ekurhuleni's Human Settlement's Department, is in advanced stage with the planning and implementation of the Delville and Fire Station Social Housing Projects at a cost of R75 million. These projects will yield a total of 250 units in 2016/2017 financial year.

Operating Expenditure

The table below reflects operating expenditure performance for the 4th Quarter. The following information is provided:

- Total Budget for the year.
- Budget for the second quarter ended 30 June 2016.
- Actual expenditure for second quarter ended 30 June 2016.
- Percentage variance between budgeted revenue and actual revenue.
- Budget for the year to date ended 30 June 2016.
- Actual expenditure for the year to date ended 30 June 2016.
- Percentage variance between budgeted expenditure and actual expenditure.

Line item	Original budget (year)	Adjustment Budget	Final budget (year)	Budget 4th Quarter	Actual 4th Quarter	Variance 4th Quarter	% Variance 4th Quarter	YTD Budget	YTD Actual	% Variance YTD
Rands in R '000										
Employee related cost	13 393	-500	12 893	3 348	3 202	146	4%	12 893	12 419	4%
Remuneration of Directors	935		935	234	132	102	44%	935	1096	-17%
Debt impairment	3 140		3 140	785	2 132	-1 347	-172%	3 140	4 566	-45%
Depreciation & Assets	1 184		1 184	296	266	30	10%	1 184	1 028	13%
Finance Charges	67		67	17	2	15	86%	67	12	82%
Contracted services	3 453		3 453	863	728	135	16%	3 453	3 461	0%
Repairs and Maintenance	4 068	-500	3 568	1 017	1 884	-867	-85%	3 568	5 199	-46%
Other Expenditure	14 929	-2 000	12 929	3 732	6 293	-2 561	-69%	12 929	17 765	-37%
Management fees paid	23 756		23 756	5 939	5 939	-	0%	23 756	23 756	0%
Income tax expense	-	15 239	15 239	15 239	15 239	-	0%	15 239	15 239	0%
Total Operating Expenditure	64 925	12 239	77 164	31 470	35 819	-4 349	-14%	77 164	84 540	-10%

Analysis of Performance

The **Net operating expenditure budgeted for the quarter ended 30 June 2016** amounted to **R31 470 million** whilst the actual expenditure is **R35 819million** which is **14% (R4 349 million) more** than budgeted.

The following are the main cost drivers:

Remuneration of Directors

The expenditure for the quarter is **44% (R102 000)** less than the budget of **(R234 000)** due to certain expenditure not realised as anticipated for the third quarter. Although there is a saving in the fourth quarter, the year to date budget has been exceeded by **17% (R161 000)**. The shareholder appointed more board members than budgeted by the entity, furthermore apart from the 4 quarterly meetings, special sub-committee and board meetings were held in the last month of the second quarter to review the financial statement and the annual report.

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Debt Impairment

The collection rate for the 4th quarter ended 30 June 2016 is **94%**, which is **1% above** the planned target of **93.0%**. Although the target for the current quarter was exceeded, the quarterly collection rate is still being affected by legal fees which are not adequately recovered in the same month of billing, while most of the legal fees are only recovered over a period longer than three months and this include legal fees billed in the last month of the quarter. Some of the tenants are not making regular payments, while others are subletting and legal processes for evictions are taking longer than expected. Tenants on eviction list continue to be billed until the court order to evict has been issued, while they continue to default on the rentals. This contributes to low collection rate and an increase in the debtors book. Bad debt provision also exceeded the budget by 172% in the 4th quarter due to change in accounting policy. Debtors older than 120 days are now provided for in full (100%).

Depreciation & Assets

Depreciation expense for the 4rd quarter is **10% (R30 000)** less than the budget of **(R296 000)**, due to change in estimates, which resulted in some of the assets being depreciated at a lower rate than anticipated.

Contracted Services

The expenditure for the 4th quarter ended 30 June 2016 is **16% (R135 000)** less than the budget of **(R863 000)**, mainly due to certain expenses that did not materialise as anticipated, while certain line items such as insurance costs for Pharoeh Park and Germiston Phase II housing exceeded the budget by **124%** for the quarter. The budget for insurance costs is based on historical cost plus **5%**, while the actual expenditure for the current period become more than the budgeted amount by **124%**.

Repairs and Maintenance

The actual spending on repairs and maintenance for the 4th quarter ended 30 June 2016 is **85% (R867 000)**, **more** than the budget of **(R1,017 million)** for the quarter, due to unplanned emergency repairs related to plumbing works and geyser replacements, which exceeded the budget by 79% and planned maintenance relating to painting in Phase II (Delville and Airport park) also exceeded the budget by 24%.

Other Expenditure

The actual spending on other expenditure is **R6 293 million**, which is **69% (R2 561 million)** more than the budget of **R3 732 million** mainly due to an amount of **R2 million** in settlement of a contingent liability settled in June 2016, which was not budgeted by EDC. Other items such as Travel and subsistence-International travel, stationary and printing, and study fees (bursary) exceeded the budget by a total amount of R600 000. Although certain expenditure items exceeded the budget, there were savings on certain items included in other expenditure, such as consultancy fees which contributed a saving of R500 000 on the other expenditure line item. Professional fees relating to feasibility assessment and project appraisal for the acquisitions and development of new investment property, also exceeded the budget by R750 000, and a further R514 000 relating to Block E refurbishment.

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Capital programme performance

Capital expenditure

Line item	Original budget (year)	Adjustment budget	Final budget (year)	Budget 4th Quarter	Actual 4th Quarter	Variance 4th Quarter	% Variance 4th Quarter	YTD Actual	Budget Remaining (year)
Rands in R '000									
Investment Property	10 000		10 000	2 500	178	2 322	93%	759	9 241
Transfer duties capitalised- Consolidation of companies		10 532	10 532	10 532	10 532	-	0%	10532	0
Furniture	230	-	230	58	39	19	33%	84	146
Computer Equipment	-	-	-	-	162	-162	0%	227	-227
Office Equipment	-	-	-	-	253	-253	0%	323	-323
Computer software	75	-	75	19	-	19	100%	162	-87
TOTAL	10 305	10 532	20 837	13 109	11 164	1 945	15%	12 087	8 749

Actual capital expenditure for the quarter is **R178 000**, while the budgeted amount is **R2, 5 million** for the quarter. The expenditure is mainly related to the improvements in Block E (Pharoe Park). An amount of R10 532 million was paid for transfer duties in respect of consolidation of companies. This has been capitalised in the books of Germiston Phase II as it relates to the acquisition of Pharoe Park and EDC. Further capital expenditure on computer and office equipment, and furniture was incurred due to an increase in staff compliment and improvement of the IT infrastructure.

An amount of **R10 million** was ring-fenced for any shortfall that may occur in the current capital projects (Delville and Germiston Fire Station), However expenditure in the refurbishment of Block E necessitated the use of part of the ring-fenced amount, which is currently to the value of R759 000.

Debtors Analysis

The debtors' age analysis at the end of the reporting period was as follows:

Entity	120 Days	90 Days	60 Days	30 Days	Current	Total Due
Germiston phase II	4 925 498.03	676 078.11	589 092.15	458 583.80	452 238.75	7 101 490.84
Pharoe Park	4 499 179.21	294 422.57	209 737.06	239 793.05	82 254.97	5 325 386.86

Totals	9 424 677.24	970 500.68	798 829.21	698 376.85	534 493.72	12 426 877.70
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% of Total Due	75.84%	7.81%	6.43%	5.62%	4.30%	100.00%
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Of the **R 12, 427 million** outstanding debtors, **R12 234 million (98%)** has been provided for as bad debt, leaving **R192 643** as recoverable. This implies that provision for bad debt is sufficient to cover all outstanding debtors longer 120 days. This is due to change in accounting policy.

The **Collection Rate** for the 4rd quarter ended 30 June 2016 is **94%**. The quarterly collection target is **93.0%**, meaning that the target was over achieved by **1%** in the 4th quarter.

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Creditors Analysis

The creditors' age analysis at the end of the reporting period was as follows:

Entity	120+ days	90 Days	60 Days	30 Days	Current	Total Due
Bonani Chartered Accountants Inc (1239)	30 240.00	-	-	-	-	30 240.00
Dovhani Trading Centre Cc (1425)	-	-	-	-	1 379.00	1 379.00
Dynasty Business Consulting (1485)	-	-	-	-	47 409.60	47 409.60
Emm Pp - 2600730073 (1497)	-	-	-	-	5 796.73	5 796.73
Emm-2601473064 (18)	4 527.30	-	-	-	-	4 527.30
Germiston Business Solutions Cc (154)	-	-	-	-0.03	-	-0.03
Jupiter Electrical Wholesalers (6)	0.70	-	-	-	1 741.91	1 742.61
Kabetumi Construction Projects (1441)	-	-	-	-	34 300.00	34 300.00
Kgoro Surveillance Projects (787)	3 168.00	-	-	-	-	3 168.00
Mbongiseni General Services Cc (1334)	-	-	-	-	6 959.70	6 959.70
Ndokunda Trading (1442)	-	-	-	-	2 800.00	2 800.00
Puleza Service Consulting (1436)	0.50	-	-	-	7 991.22	7 991.72
S.M Locksmith (1474)	-	-	-	1 450.00	-	1 450.00
Se Matsemela Manufacturing (1167)	0.18	-	-	-	-	0.18
Totals	37 936.68	-	-	1 449.97	108 378.16	147 764.81
% of total due	26%	0%	0%	1%	73%	100%

EDC's policy is to settle all creditor invoices within 30 days, except for invoices under dispute, which will be settled once the disputes with the suppliers have been resolved R37 936.68 is in dispute as at 30 June 2016.

Section 99(2) (e) of the MFMA stipulates –

“(e) that all money owing by the municipality entity be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;”

Investment Portfolio Analysis

Cash and Investment Position

Actual cash available in the bank accounts is as follows:

Bank account per entity as at 30 June 2016	Balance
Ekurhuleni Development Company - Absa Bank	413 363
Germiston Phase II - Absa Bank	7 104 516
Pharoe Park - Absa Bank	136 172
Grand Total	7 654 051

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Investment balances as at 30 June 2016 are indicated as follows:

Investment per entity as at 30 June 2016	Balance
Germiston Phase II	
Absa Call Account 20-7174-7815	7 248 863
Absa Call Account 20-7280-5440	857 092
Absa Call Account 40-7834-0070	1 943 741
	10 049 696
Lethabong	
Investec Call Account 1100182677580	317 992
	317 992
Pharoe Park	
Call Account 40-7834-0151	1 312 979
	1 312 979
Grand Total Investments	19 334 718

In-year budget report

The tables as required in terms of Municipal Budget and Reporting Regulations are included in the report.

The in-year budget statement tables include the Statement of Financial Performance, Statement of Financial Position and Cash Flow Statement for EDC, Germiston Phase II, Pharoe Park and Lethabong.

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Ekurhuleni Development Company (SOC) Ltd - Table F1 Monthly Budget Statement Summary - M12 June

Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<u>Financial Performance</u>									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	3	3	3	1	6	3	0	113%	6
Transfers recognised - operational	-	-	559	559	559	-	1	#DIV/0!	559
Other own revenue	14 487	20 959	20 959	1 747	20 904	20 959	(0)	-0%	20 904
Total Revenue (excluding capital transfers and contributions)	14 490	20 962	21 521	2 307	21 470	20 962	508	0	21 470
Employee costs	9 151	13 393	13 393	1 160	12 378	12 277	101	0	11 218
Remuneration of Board Members	712	935	935	96	1 096	857	239	0	1 000
Depreciation and asset impairment	116	116	116	-	-	106	(106)	(0)	-
Finance charges	19	1	1	2	12	1	11	0	9
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and grants	-	-	-	-	-	-	-		-
Other expenditure	4 292	6 167	6 167	2 801	8 427	5 653	2 774	0	5 626
Total Expenditure	14 290	20 612	20 612	4 059	21 913	18 894	3 018	0	17 854
Surplus/(Deficit)	200	350	909	(1 752)	(443)	2 068	(2 511)	(0)	3 616
Transfers recognised - capital	-	-	-	-	-	-	-		-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	200	350	909	(1 752)	(443)	2 068	(2 511)	(0)	3 616
Taxation	46	-	559	559	559	559	-		559
Surplus/ (Deficit) for the year	154	350	350	(2 311)	(1 002)	1 509	(2 511)	(0)	3 057
<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital	-	-	-	-	-	-	-		-
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	-	-	-	-	-	-		-
<u>Financial position</u>									
Total current assets	1 445	1 651	-		(545)				(545)
Total non current assets	687	645	-		1 220				1 220
Total current liabilities	1 638	1 112	-		1 229				1 229
Total non current liabilities	47	22	-		0				0
Community wealth/Equity	448	1 161	-		(554)				(554)
<u>Cash flows</u>									
Net cash from (used) operating	711	433	433	(2 457)	(1 514)	433	(1 947)	(0)	(1 514)
Net cash from (used) investing	(560)	-	-	2 796	1 570	-	1 570	#DIV/0!	1 570
Net cash from (used) financing	(33)	-	-	-	-	-	-		-
Cash/cash equivalents at the year end	386	700	700	339	56	433	(377)	(0)	323

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Germiston Phase 2 Housing Company (SOC) Ltd - Table F1 Monthly Budget Statement Summary - M12 June

Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<u>Financial Performance</u>									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	1 250	1 306	1 306	101	1 372	1 306	0	5%	1 372
Transfers recognised - operational	1 750	3 750	16 282	15 407	17 157	16 282	1	5%	17 157
Other own revenue	18 059	20 145	20 145	1 631	19 290	20 145	(1)	-4%	19 290
Total Revenue (excluding capital transfers and contributions)	21 059	25 201	37 733	17 139	37 819	37 733	87	0	37 819
Employee costs	-	-	-	-	-	-	-		-
Remuneration of Board Members	-	-	-	-	-	-	-		-
Depreciation and asset impairment	581	615	615	51	590	615	(25)	(0)	590
Finance charges	132	66	66	-	-	66	(66)	(0)	-
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and grants	-	-	-	-	-	-	-		-
Other expenditure	19 460	24 348	24 348	3 644	27 311	24 348	2 963	0	27 311
Total Expenditure	20 173	25 029	25 029	3 695	27 901	25 029	2 872	0	27 901
Surplus/(Deficit)	886	172	12 704	13 444	9 918	12 704	(2 785)	(0)	9 918
Transfers recognised - capital	-	-	-	-	-	-	-		-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	886	172	12 704	13 444	9 918	12 704	(2 785)	(0)	9 918
Taxation	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	886	172	12 704	13 444	9 918	12 704	(2 785)	(0)	9 918
<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital	-	-	-	-	-	-	-		-
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	-	-	-	-	-	-		-
<u>Financial position</u>									
Total current assets	25 236	24 863	-		20 379				20 379
Total non current assets	22 461	22 606	-		32 566				32 566
Total current liabilities	3 027	2 709	-		2 356				2 356
Total non current liabilities	10 794	10 794	-		10 794				10 794
Community wealth/Equity	33 877	33 967	-		39 795				39 795
<u>Cash flows</u>									
Net cash from (used) operating	318	(2 168)	(5 918)	10 168	6 955	(5 918)	12 872	(0)	6 955
Net cash from (used) investing	2 046	-	-	(10 532)	(10 695)	-	(10 695)	#DIV/0!	(10 695)
Net cash from (used) financing	112	2 169	2 169	(3 104)	(2 229)	2 169	(4 397)	(0)	(2 229)
Cash/cash equivalents at the year end	23 122	20 648	16 898	(3 467)	(5 969)	(3 749)	(2 220)	0	14 678

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Pharoe Park Housing Company (SOC) Ltd - Table F1 Monthly Budget Statement Summary - M12 June

Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<u>Financial Performance</u>									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	139	137	137	8	167	137	0	22%	167
Transfers recognised - operational	1 750	2 750	20 430	18 680	19 555	20 430	(1)	-4%	19 555
Other own revenue	13 787	15 878	15 878	1 158	14 253	15 878	(2)	-10%	14 253
Total Revenue (excluding capital transfers and contributions)	15 677	18 765	36 445	19 846	33 975	36 445	(2 470)	(0)	33 975
Employee costs	-	-	-	-	-	-	-		-
Remuneration of Board Members	-	-	-	-	-	-	-		-
Depreciation and asset impairment	430	453	453	39	437	453	(16)	(0)	437
Finance charges	72	-	-	0	0	-	0	#DIV/0!	0
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and grants	-	-	-	-	-	-	-		-
Other expenditure	14 562	18 399	18 399	1 726	18 751	18 399	352	0	18 751
Total Expenditure	15 064	18 852	18 852	1 765	19 188	18 852	336	0	19 188
Surplus/(Deficit)	612	(87)	17 593	18 081	14 787	17 593	(2 806)	(0)	14 787
Transfers recognised - capital	-	-	-	-	-	-	-		-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	612	(87)	17 593	18 081	14 787	17 593	(2 806)	(0)	14 787
Taxation	-	-	14 680	14 680	14 680	14 680	-		14 680
Surplus/ (Deficit) for the year	612	(87)	2 913	3 401	107	2 913	(2 806)	(0)	107
<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital	-	-	-	-	-	-	-		-
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	133	860	-	860	#DIV/0!	-
Total sources of capital funds	-	-	-	133	860	-	860	#DIV/0!	-
<u>Financial position</u>									
Total current assets	9 810	10 961	-		4 883				4 883
Total non current assets	15 226	15 290	-		15 649				15 649
Total current liabilities	2 327	2 294	-		1 716				1 716
Total non current liabilities	-	-	-		-				-
Community wealth/Equity	22 709	23 957	-		18 815				18 815
<u>Cash flows</u>									
Net cash from (used) operating	3 734	2 703	2 703	(126)	(3 024)	2 703	(5 727)	(0)	(3 024)
Net cash from (used) investing	(2 106)	(1 928)	(1 928)	(172)	(788)	(1 928)	1 140	(0)	(788)
Net cash from (used) financing	84	79	79	(30)	15	79	(64)	(0)	15
Cash/cash equivalents at the year end	5 265	4 407	4 407	(328)	(3 797)	854	(4 651)	(0)	(245)

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Lethabong Housing Institute (SOC) NPC - Table F1 Monthly Budget Statement Summary - M12 June

Description	2014/15	Current Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<u>Financial Performance</u>									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	14	15	-	2	17	15	0	12%	17
Transfers recognised - operational	-	-	-	-	-	-	-		-
Other own revenue	-	-	-	-	-	-	-		-
Total Revenue (excluding capital transfers and contributions)	14	15	-	2	17	15	2	0	17
Employee costs	-	-	-	-	-	-	-		-
Remuneration of Board Members	-	-	-	-	-	-	-		-
Depreciation and asset impairment	-	-	-	-	-	-	-		-
Finance charges	-	-	-	-	-	-	-		-
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and grants	-	-	-	-	-	-	-		-
Other expenditure	425	432	-	30	299	432	(133)	(0)	299
Total Expenditure	425	432	-	30	299	432	(133)	(0)	299
Surplus/(Deficit)	(411)	(417)	-	(28)	(283)	(417)	134	(0)	(283)
Transfers recognised - capital	-	-	-	-	-	-	-		-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	(411)	(417)	-	(28)	(283)	(417)	134	(0)	(283)
Taxation	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	(411)	(417)	-	(28)	(283)	(417)	134	(0)	(283)
<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital	-	-	-	-	-	-	-		-
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	-	-	-	-	-	-		-
<u>Financial position</u>									
Total current assets	6 599	6 199	-		6 317				6 317
Total non current assets	-	-	-		-				-
Total current liabilities	(0)	-	-		(0)				(0)
Total non current liabilities	-	-	-		-				-
Community wealth/Equity	6 599	6 199	-		6 317				6 317
<u>Cash flows</u>									
Net cash from (used) operating	(431)	(417)	-	(28)	(283)	(417)	134	(0)	(283)
Net cash from (used) investing	-	-	-	-	-	-	-		-
Net cash from (used) financing	445	432	-	30	299	432	(133)	(0)	299
Cash/cash equivalents at the year end	301	302	287	2	17	15	2	0	304

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CONCLUSION

The financial performance of the municipal entity is fair and no immediate cash flow constraints are expected.

Summary of Quarter Non-Financial Performance Information

QUARTERLY SDBIP REPORT: QUARTER 3 OF THE 2015/2016 FINANCIAL YEAR

Overall Performance

The **Collection Rate** for the year to date ended 30 June 2016 is **94%**. The quarterly collection target is **93.0%**, meaning that the target was over achieved for the 4th quarter of 2015/16 financial year. The collection rate has increased by **12%** compared to the 3rd quarter ended 31 March 2016 (**82%**).

EDC will achieve this strategic goal through the following strategies:-

- Ensuring maximum occupancy
- Ensuring maximum collections of rental income through improved collection processes
- Reducing the current bad debt book
- Managing a cost to income ratio of less than 50%

Increase access to social housing.

Construction of social housing units for Delville and Germiston Fire Station is underway and expected delivery of 250 social housing units in December 2016 .It should be noted that 250 social housing units will not be realised by the end of this financial year, however progress has been made in realising the delivery of social housing units and the key miles achieved are as following:

- Signing of MOU with the delivery agent.
- Issuing of the IPW to complete the planning and details designing for end June.
- Submission of bid documents for construction.
- Construction has started and it is still in progress.

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Refer to the attached Metro-wide/Institutional SDBIP 2015/16.

Table1: Metro-Wide Indicators

Responsible Department	Planning Statements	Indicators	5 Year Target	Actual Performance Previous Year	Annual Target 2015/2016	2015/2016								Progress on Performance	Reason for Deviation	Plan of Action				
						Quarter 1			Quarter 2			Quarter 3					Quarter 4			
						Planned Target	Performance Achieved		Planned Target	Performance Achieved		Planned Target	Performance Achieved					Planned Target	Performance Achieved	
NATIONAL OUTCOME: HUMAN SETTLEMENTS AND IMPROVED QUALITY OF HOUSEHOLD LIFE																				
THEMATIC AREA: 1. SUSTAINABLE URBAN INTEGRATION																				
ULTIMATE OUTCOME: 1.1. EMM Gauteng City Regional Integration																				
INTERMEDIATE OUTCOME: 1.1.1 Regionally integrated Ekurhuleni Aerotropolis redevelopment																				
EDC	Increased access to social housing units	Number of new units constructed to accommodate social housing target market.	3 500 units	New	250 units	0	0	0	0	0	0	0	0	0	Construction is underway and expected delivery is December 2016.					

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Responsible Department	Planning Statements	Indicators	5 Year Target	Actual Performance Previous Year	Annual Target 2015/2016	2015/2016								Progress on Performance	Reason for Deviation	Plan of Action				
						Quarter 1			Quarter 2			Quarter 3					Quarter 4			
						Planned Target	Performance	Achieved	Planned Target	Performance	Achieved	Planned Target	Performance				Achieved	Planned Target	Performance	Achieved
EDC	Ensure financial sustainability	Revenue collected as a % of amount billed for the year excluding arrears	95%	94.5%	95%	93 %	92%	93 %	94%	93%	82%	93%	94%	Target exceeded for the 4th quarter	The collection rate is excluding debtors written-off in 2015/16 financial year. The results for 3 rd quarter were overstated due to legal fees, but is now corrected.	Implement approved write-off. Review the year to date collection rate				

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CONCLUSION

EDC has maintained a **CONDITIONAL ACCREDITATION** status which will enable the entity access to grant funding. EDC is now eligible to apply for Social Housing Investment Program (SHIP) as advertised by SHRA and will have access to both Restructuring Capital Grant (RCG) and Institutional Subsidy.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

None

COMMUNICATION IMPLICATION

The contents of the report must be communicated to National and Provincial Treasury as well as the Auditor General. This will be done by the Finance Department.

OTHER DEPARTMENTS/ BODIES CONSULTED

- The Finance Management Team was consulted and the recommendations are supported.
- The Organisational Performance Management Department was responsible for the compilation of the Performance Report.

RECOMMENDATION

1. **That** the report on the Financial and Performance Results of EDC for the 4th quarter of the 2015/2016 financial year as required by Section 52(d) of the Municipal Finance Management Act **BE NOTED**.
2. **That**, in compliance with Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" the statement reflecting the interim financial status for the 4th quarter ending 30 June 2016 **BE SUBMITTED** by the Accounting Officer to the Executive Mayor.
3. **That**, in compliance with, Section 52(d) and Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" the financial results regarding the operating and capital budgets for the 4th quarter of the 2015/2016 financial year, and supporting documents as required by National Treasury (Schedule C) as at 30 June 2016, **IS SUBMITTED**.

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4. **That** in order to comply with Section 31(1) of the Government Gazette No 32141 of 17 April 2009 this report **BE SUBMITTED** to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the Council, in both a Council approved document and in electronic format.